

Internal Revenue Service

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Washington, DC 20224

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Date:

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Legend

Combination
Partner 1 =

Combination
Partner 1 LLC =

Combination
Partner 2 =

Distributing 1 =

Distributing 2 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

DRE 1 =

DRE 2 =

Foreign Sub 1 =

Foreign Sub 2 =

Partnership =

External Spinco =

Exchange A =

State A =

State B =

Business A =

Business B =

Separation
Agreement =

Tax Matters
Agreement =

Employee Matters
Agreement =

Transition
Services
Agreement =

Shared Site
Agreements =

Continuing
Commercial
Agreements =

Lease and
Guarantee
Agreements =

Date A =

Date B =

Date C =

Date D =

Date E =

a =

b =

c =

d =

e =

f =

g =

h =

k =

m =

n =

o =

p =

q =

- Partner 2 shareholders received cash and approximately a % of the Distributing 2 stock.
- C. On Date A, a transitory subsidiary of Distributing 2 merged with and into Combination Partner 1, with Combination Partner 1 surviving. The Combination Partner 1 shareholders received approximately b % of the Distributing 2 stock.
- D. On Date B, as part of an integrated plan with step C, Combination Partner 1 converted under State A law to become a limited liability company that is disregarded as separate from Distributing 2 for U.S. federal income tax purposes (i.e., “Combination Partner 1 LLC”).

Distributing 2 represents that it is intended that steps A, B, C, and D in the Combination qualified for non-recognition treatment under applicable sections of the Code, except to the extent that Combination Partner 2 shareholders received cash.

Post Combination

Distributing 2's single class of common stock is traded on Exchange A and is widely held. Through Combination Partner 1 LLC, Combination Partner 2, and their direct and indirect subsidiaries, Distributing 2 conducts Business A and Business B.

Through Combination Partner 1 LLC, Distributing 2 owns all of the stock of Sub 1 and Sub 2, c% of the stock of Sub 3, all of the membership interests in DRE 1 and DRE 2, and d% of the partnership interest in Partnership. Sub 1 directly holds the remaining e% of the stock of Sub 3. Combination Partner 1 LLC directly and indirectly owns all of the outstanding equity of Foreign Sub 1. Foreign Sub 1 owns approximately f% and Combination Partner 1 LLC owns the remaining approximately g% of the outstanding equity in Foreign Sub 2.

To Distributing 2's knowledge, with respect to the two-year period prior to the External Distribution (defined below), (i) for the portion of such period ending with the Combination, no shareholder of Combination Partner 1 was a “controlling shareholder” or “ten percent shareholder” within the meaning of Treas. Reg. §1.355-7(h)(3) and (14), and (ii) for the portion of such period beginning with the Combination, no shareholder of Distributing 2 has been a “controlling shareholder” or “ten percent shareholder” within the meaning of Treas. Reg. §1.355-7(h)(3) and (14). (Shareholders which are not “controlling shareholders” or “ten percent shareholders” within the meaning of Treas. Reg. §1.355-7(h)(3) and (14) are referred herein as “Public Shareholders”).

PROPOSED TRANSACTION

For what are represented as valid business purposes, Distributing 2 and its direct and indirect subsidiaries propose to undertake the following steps (collectively, the “Proposed Transaction”) in the order set forth below:

- (i) In anticipation of the subsequent transaction steps, Combination Partner 1 LLC formed a new corporation Distributing 1 on Date C and new corporation External Spinco on Date D, both as wholly-owned subsidiaries. External Spinco formed wholly-owned subsidiary Sub 4 on Date E.
- (ii) On the day prior to step (iii), Combination Partner 1 LLC will contribute the stock of Sub 1 to Distributing 1.
- (iii) Sub 1 will convert to a limited liability company (“DRE 4”) under State A law, becoming an entity disregarded as separate from Distributing 1 for U.S. federal income tax purposes.
- (iv) DRE 4 will distribute its Business B workforce to Distributing 1. DRE 4 will enter into an agreement with Distributing 1 whereby Distributing 1 will provide certain services to DRE 4 until step (viii) occurs.
- (v) Combination Partner 1 LLC will contribute its Business B workforce to External Spinco (together with cash to fund working capital required by External Spinco prior to step (vii), which may be contributed to External Spinco in one or more contributions, some of which may be in advance of the contribution of the workforce). Combination Partner 1 LLC will enter into an agreement with External Spinco whereby External Spinco will provide certain services to Combination Partner 1 LLC until step (vii) occurs.
- (vi) Sub 2 will transfer certain administrative functions associated with the Business B foreign expatriate employees to Sub 4. Sub 4 will enter into an agreement with External Spinco, whereby Sub 4 will provide expatriate payroll and benefits administration related services to External Spinco.
- (vii) Combination Partner 1 LLC will transfer to External Spinco the ownership interest in the U.S. Business B assets (including working capital net assets, intangibles, contracts, vendor relationships, rights transferred pursuant to the Lease and Guarantee Agreements, and cash to fund working capital (if any) required by External Spinco prior to the External Distribution in one or more cash contributions, but excluding the Combination Partner 1 LLC pension plan), and the entirety of its interests in DRE 1, DRE 2, and Partnership in exchange for External Spinco stock and the assumption of certain liabilities associated with the assets transferred (including obligations pursuant to the Lease and Guarantee Agreements), (collectively, and together with steps (v)

- and (xiii), the “External Spinco Contribution”). The liabilities assumed may include certain liabilities, such as certain employee and retiree medical benefit obligations, that are not fixed and determinable and economically performed when assumed, and which will be deductible or capitalized into basis of assets by External Spinco when paid (together with liabilities with similar characteristics assumed in step (xiii), the “Distributing 2 Deductible Liabilities”).
- (viii) DRE 4 will assign the Business B assets that it holds to Distributing 1 and Distributing 1 will assume associated liabilities from DRE 4.
 - (ix) Distributing 1 may borrow money from third-party lenders (the “Distributing 1 Borrowing Proceeds”). External Spinco may guarantee Distributing 1’s performance of its obligations under this borrowing.
 - (x) Distributing 1 will contribute the Distributing 1 Borrowing Proceeds, if any, to DRE 4 and will remain the obligor on any underlying debt to the third party lenders.
 - (xi) DRE 4 will convert to become a corporation under State A law (“Internal Spinco”), with such conversion being the “Internal Spinco Contribution.” At the time of the Internal Spinco Contribution, the fair market value of Distributing 1’s Business A assets will significantly exceed the amount of the Distributing 1 Borrowing Proceeds.
 - (xii) Distributing 1 will distribute the stock of Internal Spinco to Combination Partner 1 LLC (the “Internal Distribution”).
 - (xiii) Combination Partner 1 LLC will contribute to External Spinco all of the shares of Distributing 1 and Combination Partner 1 LLC’s rights and obligations under the Distributing 2 pension plan to the extent allocable to certain Business B employees transferred to External Spinco, in exchange for External Spinco stock, the assumption of certain liabilities associated with assets transferred pursuant to the External Spinco Contribution, and cash funded in whole or in part by the External Spinco Borrowing Proceeds, (defined below). The liabilities assumed will include certain Combination Partner 1 LLC liabilities, such as certain employee and retiree medical benefit obligations, that are not fixed and determinable and economically performed when assumed, and which will be deductible or capitalized into basis in assets by External Spinco when paid.
 - (xiv) External Spinco will borrow funds from third party lenders (the “External Spinco Borrowing Proceeds”). A portion of the External Spinco Borrowing Proceeds will be transferred to Combination Partner 1 LLC pursuant to step (xiii) above.

- (xv) External Spinco, together with DRE 1, and entity disregarded as separate from External Spinco, will form a foreign entity which will elect to be classified as a corporation for U.S. federal income tax purposes ("Foreign Sub 3").
- (xvi) External Spinco will contribute a portion of the External Spinco Borrowing Proceeds to, and will also possibly lend funds to Foreign Sub 3. DRE 1 will contribute and possibly lend its pro rata share to fund Foreign Sub 3.
- (xvii) Foreign Sub 3 will acquire the foreign Business B assets through the acquisition from Foreign Sub 2 of all of the shares of an entity disregarded as separate from Foreign Sub 2 for federal income tax purposes ("DRE 3") for cash (and the deemed assumption of liabilities).
- (xviii) Foreign Sub 3 will assign any assets it has to DRE 3 and DRE 3 will assume any liabilities of Foreign Sub 3.
- (xix) An election will be made to treat DRE 3 as a corporation for U.S. federal income tax purposes.
- (xx) Foreign Sub 3 will liquidate through certain transactions. As an alternative to steps (xv) through (xx), the parties may undertake a different series of transactions effecting a transfer of the foreign Business B assets to a foreign subsidiary of External Spinco.
- (xxi) Combination Partner 1 LLC will distribute the External Spinco stock and the cash proceeds it received in the External Spinco Contribution to Distributing 2.
- (xxii) In order to distribute all of the single class of External Spinco stock to the Distributing 2 shareholders (the "External Distribution"), Distributing 2 will (a) distribute on a pro rata basis with respect to its common stock (a "Pro Rata Distribution") all of the stock of External Spinco to Distributing 2's shareholders on a single date, (b) offer to Distributing 2's shareholders, on one or more occasions, the right to exchange shares of Distributing 2's common stock for shares of External Spinco stock (each Exchange A "Share Exchange" and, all exchanges together, the "Share Exchanges"), or (c) make an initial Pro Rata Distribution of a portion of the stock of External Spinco to Distributing 2's shareholders and subsequently undertake one or more Share Exchanges for an additional portion of such stock. If Distributing 2 retains any External Spinco stock following the Share Exchanges, whether because they are not fully subscribed or Distributing 2 is unable to or chooses not to implement any Share Exchanges following an initial partial Pro Rata Distribution, Distributing 2 will distribute the remaining External Spinco stock to its shareholders on a pro rata basis (the "Clean-Up Distribution"). All Share Exchanges, and Pro Rata Distributions, if any, will occur within h months of

the completion of the External Spinco Contribution. Fractional shares of External Spinco will be aggregated by an exchange agent and sold on the market (the “Fractional Shares Sale”), with the applicable Distributing 2 shareholders who would have otherwise received such fractional shares receiving their respective share of the proceeds.

In addition, in connection with implementation of the Proposed Transaction, certain intercompany debts may be eliminated through repayment, contribution, distribution, or set-off.

After the Internal Distribution, Internal Spinco will loan the Distributing 1 Borrowing Proceeds, if any, to Distributing 2 to allow Distributing 2 to repay debt, make dividend distributions to shareholders, or use for general corporate purposes, and Internal Spinco may loan a portion of Distributing 1 Borrowing Proceeds, if any, to other Distributing 2 affiliates to use to repay debt or for other general corporate purposes.

In the h-month period following the completion of the External Spinco Contribution, Distributing 2, directly or through Combination Partner 1 LLC, will use an amount of cash equal to or greater than the cash received pursuant to the External Spinco Contribution to make distributions to its shareholders, pay its liabilities to third-party creditors (which could include ordinary course liabilities whenever incurred and principal, interest, and associated consent and other fees on bank debt, bonds, and other borrowings), or a combination thereof. Distributing 2 will not set aside, trace, or otherwise segregate the actual cash received pursuant to the External Spinco Contribution. The manner in which Distributing 2 will hold or dispose of the actual cash received in the External Spinco Contribution, the timeframe during which Distributing 2 will use an equivalent amount of cash, and the purposes for which Distributing 2 will use such equivalent amount of cash, as described in this paragraph, are referred to herein as the “Manner of Making Purging Distributions.”

Following the proposed transaction, Distributing 2 (and its worldwide group) and External Spinco (and its worldwide group) will have certain continuing arrangements and relationships (collectively, the “Continuing Arrangements”). These will include the Separation Agreement, Tax Matters Agreement, Employee Matters Agreement, Transition Services Agreement, Shared Site Agreements, Continuing Commercial Agreements, and the Lease and Guarantee Agreement. The Shared Site Agreements will have an expected initial term of up to k years and the Continuing Commercial Agreements will have expected initial terms of up to m years. The Transition Service Agreement will have a term of no longer than n years unless later extended by mutual agreement of the parties. Except for certain cost or cost-based pricing or sharing under portions of the Shared Site Agreements and under the Transition Services Agreement, all agreements for the future provision of goods, services, or the use of sites provide for market-based pricing and reflect arm’s length terms.

Pursuant to the Combination approved by the shareholders of Combination Partner 1 and by the shareholders of Combination Partner 2, the Distributing 2 board of directors initially consisted of o directors, p having been designated by Combination Partner 1 and q by Combination Partner 2. All such directors will be required to stand for election in the normal course of business following the Combination. The External Spinco board of directors will consist entirely of directors that are not also directors of Distributing 2. The External Spinco directors will be required to stand for election in the normal course of business following the External Distribution. The officers of Distributing 2 and the officers of External Spinco will not overlap following the Proposed Transaction.

Each of Combination Partner 1 and Combination Partner 2 had a share repurchase program prior to the Combination. The Distributing 2 board of directors has authorized a plan to purchase up to r shares of Distributing 2 stock, and Distributing 2 has continued to, and expects to, repurchase shares after the Combination and after the Proposed Transaction. Such share repurchases will be made through open market repurchases, one or more accelerated share repurchase ("ASR") programs, one or more tender offers open to all holders of Distributing 2 common stock, or a combination thereof (all share repurchases by Combination Partner 1 and by Distributing 2, the "Share Repurchases"). Under a typical ASR program, a corporation would repurchase a specified number or volume range of its shares from a third-party investment bank at an agreed-upon price per share or other price mechanism, the bank would obtain the shares by borrowing shares (e.g., from customers or mutual funds), the bank would buy shares, typically on the open market, over time to return the borrowed shares, and there may be a true-up adjustment as between the corporation and the bank at the maturity of the program. The Share Repurchases have been, and are expected to be, used to offset dilution from issuance of shares under compensatory equity plans, to return to stockholders cash generated from extraordinary asset divestitures, and to achieve a targeted capital structure and leverage ratio.

REPRESENTATIONS

- (a) The liabilities assumed by Internal Spinco in the Internal Spinco Contribution and the liabilities to which the assets transferred in the Internal Spinco Contribution are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (b) The liabilities assumed by External Spinco in the External Spinco Contribution, including the Distributing 2 Deductible Liabilities, and the liabilities to which the assets transferred in the External Spinco Contribution are subject, including the Distributing 2 Deductible Liabilities, were incurred in the ordinary course of business and are associated with the assets being transferred.

- (c) The incurrence of the Distributing 2 Deductible Liabilities that will be assumed by External Spinco, if any, did not result in the creation of, or increase in, basis of any assets of Distributing 2 or External Spinco or the stock of Distributing 2 or External Spinco.
- (d) The Distributing 2 Deductible Liabilities are liabilities accrued by Distributing 2 for financial accounting purposes, but will not meet the timing requirements for a deduction by Distributing 2 before the External Spinco Contribution under Distributing 2's method of tax accounting. The Distributing 2 Deductible Liabilities will meet the timing requirements for a deduction by External Spinco after the External Distribution under External Spinco's method of tax accounting.
- (e) There is no plan to liquidate Internal Spinco or to merge it with or into Distributing 2 or any other affiliate.
- (f) There is no plan for Internal Spinco to distribute the Distributing 1 Borrowing Proceeds (or any notes received from any intercompany loans) to Distributing 2.
- (g) The Share Repurchases were not, and will not be, related to the Proposed Transaction, and are expected to occur at approximately the same times, and to be in the same or lesser amount, as the Share Repurchases that would have occurred if Distributing 2 did not undertake the External Distribution.
- (h) The receipt by Distributing 2 shareholders of cash in lieu of fractional shares of External Spinco stock, if any, is solely for the purpose of avoiding the expense and inconvenience to External Spinco of issuing and maintaining fractional shares and will not represent separately bargained for consideration. Any fractional share interests of a Distributing 2 shareholder will be aggregated, and no Distributing 2 shareholder of record will receive cash in an amount equal to or greater than the value of one share of External Spinco.

RULINGS

Based solely on the information submitted, we rule as follows:

- (1) The Internal Spinco Contribution will be treated as the transfer of the Distributing 1 Borrowing Proceeds, if any, and Business A assets by Distributing 1 to Internal Spinco in exchange for Internal Spinco stock and the assumption of, or taking subject to, liabilities associated with those Business A assets.

- (2) The Distributing 2 Deductible Liabilities will be excluded in determining the amount of liabilities of Distributing 2 (or of Combination Partner 1 LLC) assumed by External Spinco for purposes of Sections 357(c), 358(d), and 361(b)(3).
- (3) Provided Distributing 2's transfers of cash in an amount equal to the cash received in the External Spinco Contribution (or a part thereof) otherwise qualify as distributions in pursuance of the plan of reorganization within the meaning of Section 361(b)(1)(A) (including by reason of Section 361(b)(3)), Distributing 2's Manner of Making Purging Distributions will not prevent Distributing 2's receipt of cash in the External Spinco Contribution (or a corresponding part thereof) from qualifying under those provisions.
- (4) Any Pro Rata Distribution, Share Exchange, and Clean-Up Distribution composing the External Distribution will be treated as occurring pursuant to a plan of reorganization within the meaning of Treas. Reg. § 1.368-2(g).
- (5) For purposes of testing the effect of the Share Exchanges on the External Distribution or the Internal Distribution under Section 355(e), the Share Exchanges from Public Shareholders will be treated as being made from all Public Shareholders of Distributing 2 on a pro rata basis.
- (6) Any increase in the percentage of either voting power or value of the stock of Distributing 2 or External Spinco (or of Distributing 1 or Internal Spinco) owned by a shareholder by virtue of the Share Exchanges will be taken into account for purposes of section 355(e) only after reducing such increase for any reduction, directly or indirectly, in such shareholder's interest resulting from any Share Exchanges.
- (7) The Fractional Share Sales will not affect the determination of the total voting power or value of the stock of Distributing 2 or External Spinco (or of Distributing 1 or Internal Spinco) acquired within the meaning of Section 355(e).
- (8) The initial designations of the members of the Distributing 2 board of directors and the External Spinco board of directors will not affect the determination of the total voting power or value of the stock of Distributing 2 or External Spinco (or of Distributing 1 or Internal Spinco) acquired within the meaning of Section 355(e).
- (9) For purposes of testing the effect of the Share Repurchases on the External Distribution or the Internal Distribution under Section 355(e), the Share Repurchases by Public Shareholders will be treated as being made from all Public Shareholders of Distributing 2 on a pro rata basis. Any increase in the percentage of either voting power or value of the stock of Distributing 2 or

External Spinco (or Distributing 1 or Internal Spinco) owned by a shareholder by virtue of the Share Repurchases will be taken into account for purposes of Section 355(e) only after reducing such increase for any reduction, directly or indirectly, in such shareholder's interest resulting from the Share Repurchases. The effect of the Share Repurchases will be taken into account under Section 355(e) and this ruling only to the extent such Share Repurchases are otherwise treated for purposes of Section 355(e) as part of a plan (or series of related transactions) with the External Spinco Distribution or the Internal Distribution.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of any aspect of the Proposed Transaction under any provision of the Code and regulations, or the tax treatment of any condition existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Richard M. Heinecke

Richard M. Heinecke
Assistant to the Branch Chief, Branch 5
(Corporate)